

CITY OF ALBERT CITY, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2019 THROUGH JUNE 30, 2020

CITY OF ALBERT CITY, IOWA
Table of Contents

	<u>Page</u>
OFFICIALS	1
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	2
DETAILED FINDINGS AND RECOMMENDATIONS:	<u>Finding</u>
Segregation of Duties	A 5
Unclaimed Property	B 5
Deposits and Investments	C 5
Bank Reconciliations	D 6
Monthly Financial Reports	E 6
City Council Meeting Minutes	F 6
Transfers	G 6
Payment of General Obligation Debt	H 6
Disbursements	I 7

CITY OF ALBERT CITY, IOWA
OFFICIALS
June 30, 2020

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2020)		
Dale Skog	Mayor	January, 2022
Christy Ehlers	Council Member	January, 2020
Sue Jarvis	Council Member	January, 2020
Jake Nagengast	Council Member	January, 2020
Norm Hansen	Council Member	January, 2022
Bruce Forbes	Council Member	January, 2022
Angie Nielson	City Clerk	Indefinite
Nola Jensen	City Attorney	Indefinite
(After January, 2020)		
Dale Skog	Mayor	January, 2022
Christy Ehlers	Council Member	January, 2024
Sue Jarvis	Council Member	January, 2024
Jake Nagengast	Council Member	January, 2024
Norm Hansen	Council Member	January, 2022
Bruce Forbes	Council Member	January, 2022
Angie Nielson	City Clerk	Indefinite
Nola Jensen	City Attorney	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor
and Members of City Council

We performed the procedures below, which were established at Iowa Code Chapter 11.6, to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Albert City for the period July 1, 2019 through June 30, 2020, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Albert City's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

To the Honorable Mayor
and Members of City Council

6. We observed the City's fiscal year 2020 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. The City had no investments.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. We scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. The City had no TIF.
11. We traced selected receipts to accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. We traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
15. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

To the Honorable Mayor
and Members of City Council

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

Gravelle, Ben, Kohn & Co. P.C.

Atlantic, Iowa
October 12, 2020

DETAILED FINDINGS AND RECOMMENDATIONS

CITY OF ALBERT CITY, IOWA

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (A) Segregation of Duties - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparing and distributing.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Unclaimed Property - Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation - Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

- (C) Deposits and Investments - Although the City has adopted a written investment policy, the policy did not cite Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

CITY OF ALBERT CITY, IOWA

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (D) Bank Reconciliations - Although monthly bank reconciliations were prepared for all of the City's bank accounts and certificates of deposit, the reconciliations were not independently reviewed.

Recommendation - An independent person should review all bank reconciliations and document the review by signing or initialing and dating the reconciliations.

- (E) Monthly Financial Reports - Although the monthly Clerk's reports detail the total receipts, disbursements and balances for each fund, a comparison of actual disbursements to budgeted disbursements by function is not included.

Recommendation - A comparison of budgeted to actual disbursements by function should be added to the monthly Clerk's report.

- (F) City Council Meeting Minutes - Chapter 372.13(6) of the Code of Iowa requires the City Council minutes include the total disbursements by fund, a list of all claims allowed, including the reason for the claim, and a summary of all receipts and to be published within fifteen days of the meeting. Published minutes for the meetings tested did not include a summary of all receipts. Also, minutes for one meeting tested were not published within fifteen days.

Recommendation - The City should comply with the Code of Iowa and include a summary of all receipts in the minutes and publish City Council minutes within fifteen days, as required.

- (G) Transfers - Transfers were not approved by an official fund transfer resolution.

Recommendation - All transfers should be supported by an approved fund transfer resolution. The transfer resolution should include a clear statement of the reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is being received, and the dollar amount being transferred, in accordance with Iowa Administrative Code Section 545-2.1.

- (H) Payment of General Obligation Debt - Principal and interest on the City's general obligation Gnewuch building debt were paid from the General Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation - The City should transfer from the General Fund to the Debt Service Fund for future funding contributions. Payments on the debt should be made from the Debt Service Fund as required.

CITY OF ALBERT CITY, IOWA

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (I) Disbursements - Supporting documentation for disbursements are cancelled when paid but the City does not mark each invoice with its appropriate account number.

Recommendation - The City should mark each invoice with its appropriate account number to help ensure proper recording within the City's financial records.

* * *